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ECONOMIC STATEMENT AND BUDGET UPDATE DELIVERS HEALTH CARE FUNDING, INVESTS IN INNOVATION, PAYS DOWN DEBT AND CUTS TAXES

Record funding for health care, investment in innovation, a significant debt paydown, and substantial and immediate tax cuts delivered to all Canadians much faster than announced in the 2000 budget were outlined today in an Economic Statement and Budget Update by Finance Minister Paul Martin.

"A strong economy and sound fiscal management have produced an era of budgetary surpluses that give Canadians more choices than they have had in decades," Minister Martin said. "The choices we make will mirror our values as a society and our obligations to each other as citizens."

The Economic Statement sets out the next steps in the Government's four-part economic and fiscal plan. It provides significant investment in the social fabric of this country, particularly health care; strengthens education, research and innovation; enhances debt reduction; and reduces taxes faster and further than outlined in the 2000 budget.

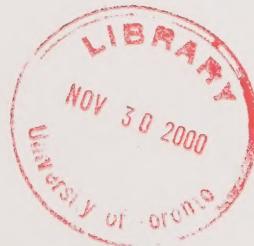
Combined with the measures introduced in the 2000 budget, the Economic Statement commits to the right balance of paying down debt, cutting taxes fairly and investing in key priorities, such as health care and education. Specifically, it:

- delivers on a \$23.4-billion federal commitment to the agreements on health renewal and early childhood development reached by the Prime Minister and premiers in September;
- strengthens education, research and innovation by providing \$500 million in new funding to the Canada Foundation for Innovation to help create world-class universities and research facilities, and for international research;
- pays down at least \$10 billion in debt this fiscal year as part of an enhanced Debt Repayment Plan; and
- provides substantial and immediate tax cuts for all Canadians by lowering personal income tax rates, effective January 1, 2001.



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Together with the 2000 budget, the Economic Statement builds on Canada's strong performance and the Government's commitment to sound economic and fiscal management through low inflation, budgetary surpluses and debt reduction.

"Our approach has served Canadians well: it has taken us from massive deficit to surplus, from rising to declining debt, from credit downgrade to credit upgrade," said Minister Martin.

Since eliminating the deficit in 1997-98, the Minister noted close to three-quarters of all new spending has been devoted to health care, children and education; \$28.7 billion in debt will have been retired by 2000-01; \$100 billion in tax cuts will have been implemented by 2004-05, and an average personal income tax cut of 27 per cent, and 35 per cent for families with children, will have been delivered.

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October 2000 Economic Statement and Budget Update

Highlights

This Economic Statement sets out a four-part economic and fiscal plan to ensure better lives for Canadians.

1. It invests in the social fabric of this country, particularly in health care, by:

- delivering the \$21.1 billion in federal funding to strengthen Canada's system of universal health care as agreed to by the Prime Minister and premiers in September;
- providing \$2.2 billion to the provinces and territories for services for the youngest of our children; and
- committing, in conjunction with the 2000 budget, over \$1.2 billion to a cleaner, healthier environment.

2. It strengthens education, research and innovation by:

- providing \$500 million in new funding to the Canada Foundation for Innovation to help create world-class universities and research facilities, and for international research;
- adding \$100 million over five years to support research for the knowledge economy; and
- doubling the education amount that post-secondary students can claim to help them offset the cost of books, lodging and other expenses. This measure alone will provide roughly \$1 billion to 1 million students over the next five years.

3. It enhances the Government's debt reduction efforts by:

- paying down at least \$10 billion in debt this fiscal year alone;
- committing to announce each fall an amount for that year's debt paydown in addition to the \$3-billion Contingency Reserve – depending upon the economic circumstances of the day; and
- lowering Canada's debt-to-GDP ratio – the debt in relation to the size of the overall economy – which should fall to about 40 per cent within five years.

4. It reduces taxes faster and further than set out in Budget 2000 by:

- providing substantial and immediate tax reductions that grow over time;
- providing one-time relief for heating expenses to help low- and modest-income Canadians;
- lowering personal income tax rates for all Canadians effective January 2001, in less than two and a half months;
- reducing Canadians' average personal income tax burden 21 per cent by 2004-05 as a result of measures in the 2000 budget and this Statement. For families with children, it will be even lower – 27 per cent; and
- accelerating and legislating corporate income tax cuts with a one-point reduction in 2001, and two-point reductions in each of the next three years.